NOVA SCOTIA Environment and Labour

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Pension Regulation Division

May 29, 2002

The Honourable David Morse
Minister of Environment and Labour
P.O. Box 697
HALIFAX, NS B3J 2T8

Dear Sir:

Pursuant to the requirements of Section 94 of the *Pension Benefits Act*, I have the honour to submit herewith the Annual Report of the Pension Regulation Division for the fiscal year ended March 31, 2001.

Respectfully submitted,

Nancy MacNeill Smith
Superintendent of Pensions

NMS/rm



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# TWENTY-FOURTH ANNUAL REPORT ON THE ADMINISTRATION OF THE PENSION BENEFITS ACT FOR THE PERIOD ENDED MARCH 31, 2001

## INTRODUCTION

In accordance with Section 94 of the *Pension Benefits Act* (RSNS, 1989, ch. 340), the Superintendent of Pensions is required to report annually to the Minister. This Report covers the affairs and transactions of the fiscal year 2000 - 2001.

The *Pension Benefits Act* governs employer-sponsored pension plans established in respect of Nova Scotia employees. It does not apply to employees engaged in work that is subject to federal jurisdiction, nor does it apply to the pension plans established for provincial public servants, teachers, judges, members of the legislature, or Sydney Steel Corporation.

The main objective of the *Pension Benefits Act* is to safeguard employee entitlements to benefits promised under private sector plans. This is accomplished through the establishment of minimum funding standards and minimum benefit standards in respect of eligibility requirements, vesting and locking-in, employer contributions, transfer rights, spousal benefits, prohibitions against sex discrimination and disclosure of information.

The Superintendent of Pensions, Pension Regulation Division, is responsible for the administration of the Act.

Based on information collected by the Division and provided to Statistics Canada, 77,000 members participated in 490 pension plans regulated by the Division at January 1, 2000.

## PENSION BENEFITS STANDARDS LEGISLATION

In addition to the *Pension Benefits Act* of Nova Scotia, pension benefits standards legislation has been enacted by the following governments:

| | |
|---|---|
| **Canada** | Pension Benefits Standards Act, effective October 1967. Revised effective January 1, 1987. |
| **Ontario** | The Pension Benefits Act, 1965, effective January 1, 1965. Revised effective January 1, 1988. |
| **Saskatchewan** | The Pension Benefits Act, 1967, effective January 1, 1969. Revised effective January 1, 1993. |

| | |
|---|---|
| **Quebec** | Supplemental Pensions Plan Act, effective January 1, 1966. Revised effective January 1, 1990. |
| **Manitoba** | The Pension Benefits Act, effective July 1, 1976. Amended January 1, 1990. |
| **Alberta** | Employment Pension Plans Act, effective January 1, 1987. (Replaced the Pension Benefit Act which was effective January 1, 1967). |
| **Newfoundland** | The Pension Benefits Act, effective January 1, 1985. Revised effective January 1, 1997. |
| **New Brunswick** | The Pension Benefits Act, effective January 1, 1992. |
| **British Columbia** | The Pension Benefits Standards Act, effective January 1, 1993. |

The representatives of those authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas. Representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA).

CAPSA is an interjurisdictional association of pension supervisory authorities whose mission is to facilitate an efficient and effective pension regulatory system in Canada.

During the year under review, CAPSA met in April 2000 in Quebec and September 2000 in Saskatchewan. The meetings focused on development of a model pension law, defined contribution plan investment disclosure, reciprocal agreement plan governance and electronic information. A special meeting was held in Toronto in November 2000 to develop principles for a model pension law for all jurisdictions.

In September 2000 CAPSA approved principles for the electronic exchange of information between pension plan sponsors and members.

Representatives of CAPSA also participate in the Joint Forum of Financial Market Regulators. The Joint Forum was established in January 1999 to discuss issues of common interest among Canadian securities, insurance and pension regulators arising from the growing integration of the financial services sector. One of the projects of the Joint Forum is the development of basic investment disclosure principles for capital accumulation plans. Such plans include defined contribution pension plans, group registered retirement savings plans, deferred profit sharing plans and employee profit sharing plans.

## AGREEMENTS WITH OTHER AUTHORITIES

Agreements with the Government of Canada and other provinces having pension legislation provide for the reciprocal registration, audit and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members. The regulatory body in the jurisdiction of registration applies the rules of other jurisdictions where applicable.

## MEMORANDUM OF UNDERSTANDING

Statistics Canada and the Province have a Memorandum of Understanding respecting the employer pension plans under the custody and control of the Superintendent of Pensions. Under that Memorandum, information compiled by the Superintendent is submitted to Statistics Canada for the development of integrated social statistics for Canada.

The Province also has a Memorandum of Understanding with the Canada Customs and Revenue Agency (CCRA) to harmonize the exchange of data and information respecting employer pension plans under the control of the Superintendent of Pensions. Data from a joint Annual Information Return on pension plans is collected by the Superintendent of Pensions and shared with CCRA.

## ORGANIZATIONAL CHANGES

As part of government restructuring, the Minister of Environment and Labour became responsible for the Pension Benefits Act effective October 1, 2000.

## LEGISLATIVE REVIEW

On November 30, 2000, Bill No. 75 the Law Reform (2000) Act received royal assent. The Bill amended certain sections of the Pension Benefits Act effective June 4, 2001, to revise the definition of spouse and add a definition of common-law partner, revise the provisions relating to the division of pension benefits on marriage breakdown, and to recognize the garnishment or attachment of pensions and pension benefits pursuant to the Maintenance Enforcement Act. On March 12, 2001, the Superintendent released a consultation paper regarding draft regulations written to address the changes made to the Pension Benefits Act by the Law Reform (2000) Act.

On March 27, 2001, Bill No. 9 respecting amendments to the Pension Benefits Act was introduced in the legislature. The amendments include numerous housekeeping changes that harmonize the Pension Benefits Act with most other jurisdictions, as well as changes relating to the distribution of surplus on pension plan wind up, and changes to the Life Income Fund.

## HEARINGS

On July 18, 2000, a hearing was held in respect of a proposed order by the Superintendent for a return in full of the assets transferred out of the Pension Plan for Employees of Sobeys Inc to Frederick Walter Brackett. The proposed order was made as the transfer was in direct contravention of Section 61(4)(b) of the Pension Benefits Act and the amount transferred to Mr. Brackett was in excess of that permitted under Section 61(3) of the Act. An order confirming the proposed order was issued on October 25, 2000.

## OPERATION OF THE DIVISION

As at March 31, 2001, the Division was responsible for the supervision of 487 pension plans. Fifteen applications for registration were received during the fiscal year and ten of the filed plans were in the process of being wound up.

**SUMMARY OF PENSION PLANS APPROVED TRANSFERRED OR TERMINATED TO MARCH 31, 2001**

| | TOTAL AS AT MARCH 31, 2000 | ADDITIONS - (DELETIONS) | TOTAL AS AT MARCH 31, 2001 |
|---|---|---|---|
| Filed Plans | 1348 | 15 | 1363 |
| Plans Transferred From Other Jurisdictions | 18 | 3 | 21 |
| Applications Withdrawn | (13) | (1) | (14) |
| Plans Terminated | (782) | (27) | (809) |
| Plans Transferred To Other Jurisdictions | (73) | (1) | (74) |
| Active Plans On File | 498 | (11) | 487 |
| Deduct: Plans In Process of Registration | (8) | 2 | (6) |
| Registered Plans | 490 | (9) | 481 |

A total of 16 Certificates of Registration were issued. Four plans submitted prior to April 1, 2000, and two submitted in 2000/01 require further documentation and/or amendments before they will be accepted for registration.

The Division received 1,161 pieces of correspondence during the 2000-01 period, and responded within an average of 32 days.

Two hundred twenty pension plan documents were approved during the fiscal year.

A refund to the employer of surplus of $121,500 was made in respect of one terminated plan.

As at April 1, 2000, there were 134 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As at March 31, 2001, there were 151 on the List.

The following table shows that during the period under review, 28 pension plans were terminated covering 4,452 employees. There was no loss of pension coverage for the 3,369 members of plans merged with another. There were three partial plan terminations affecting 1,450 members.

**TERMINATED PENSION PLANS**

| REASON | # OF PLANS | # OF ACTIVE MEMBERS |
|---|---|---|
| No members left | 4 | 0 |
| Financial difficulty/bankruptcy | 5 | 968 |
| Company dissolved/sold | 2 | 13 |
| Replaced with Group RRSP | 5 | 89 |
| Merged with another | 9 | 3,369 |
| No reason given | 2 | 13 |
| Application withdrawn | 1 | 0 |
| **TOTAL** | **28** | **4,452** |

## CONTRIBUTIONS

In accordance with Section 27(1) of the *Pension Benefits Act*, the administration of a pension plan registered in Nova Scotia is required to file an Annual Information Return (AIR) outlining the contributions made to the pension plan and changes in plan membership.

Contributions and membership data from filed Annual Information Returns are complied and forwarded to Statistics Canada for the inclusion in their Annual Report on pension plans in Canada. Information from the Return is also forwarded to CCRA.

Total contributions for 2000 were $248,162,352, up from $232,783,909 in 1999.

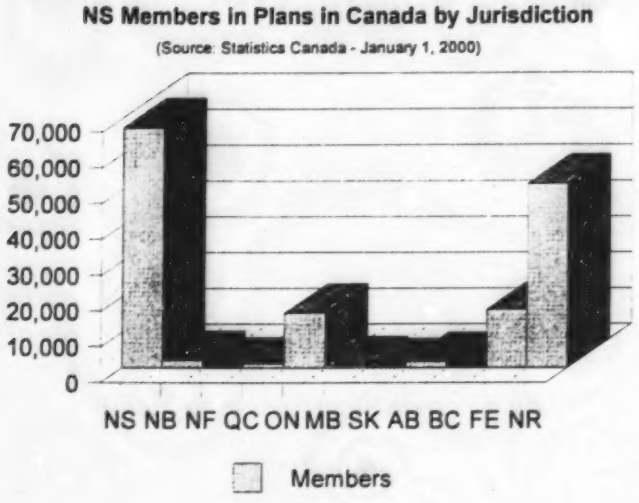
Based on the Returns filed with the Division, the employee and employer contributions to pension plans under supervision for the year ending December 31, 2000, were as follows:

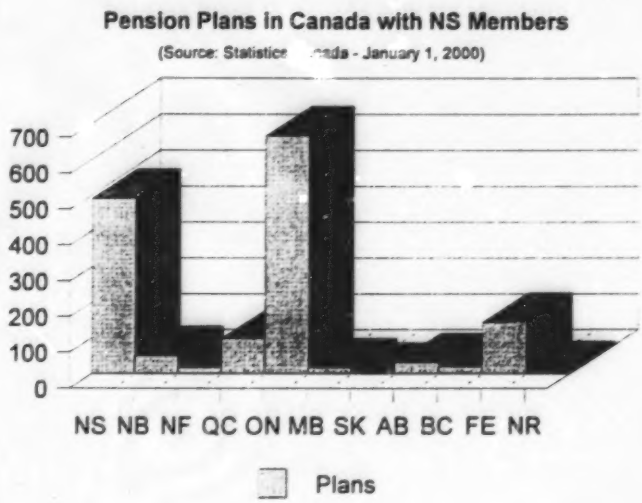
## 2000 CONTRIBUTIONS:

| | | |
|---|---|---|
| Employee Required Contributions | $79,380,496 | |
| Employee Voluntary Contributions | 5,141,672 | |
| TOTAL EMPLOYEE CONTRIBUTIONS - | $84,522,168 | $84,522,168 |
| Actual Employer Current Service Contributions | $114,957,179 | |
| Employer Contributions made from Surplus | 40,371,293 | |
| TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS - | $155,328,472 | |
| Employer Special Payments | 8,311,712 | |
| TOTAL EMPLOYER CONTRIBUTIONS - | $163,640,184 | $163,640,184 |
| **TOTAL CONTRIBUTIONS** | | **$248,162,352** |

## JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

Information provided by Statistics Canada based on information collected by the Division indicates that as of January 1, 2000, there were 1,542 pension plans in all jurisdictions covering 156,871 Nova Scotia Employees. The Division supervised 489 plans covering 77,037 members; 9,976 of these members were employed in other provinces.

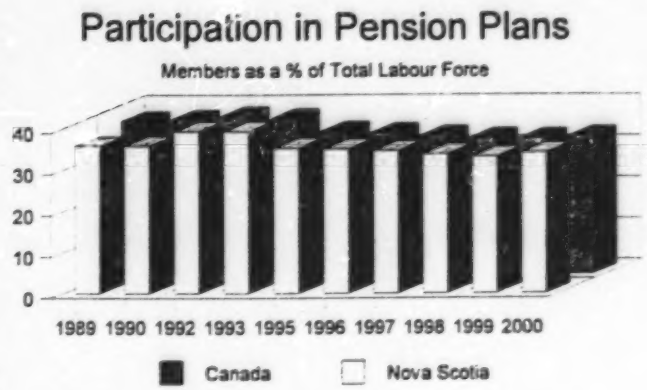


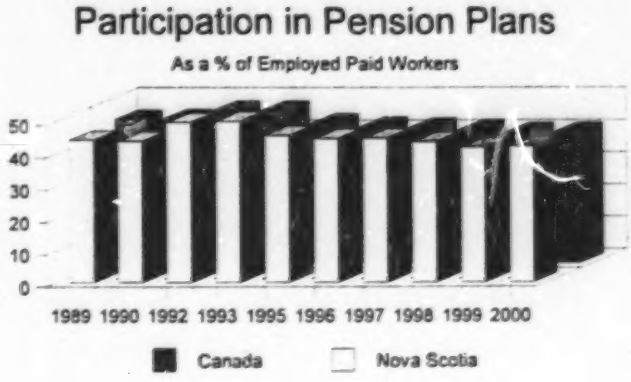

FE - Federal

N/R Not registered - these plans include the provincial plans for Civil Servants, Teachers, Judges and Members of the Legislature as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.

As shown below, participation of Nova Scotians in pension plans has declined slightly since 1989. Currently in Nova Scotia, 34.1 per cent of the total labour force and 42.0 percent of employed paid workers participate in pension plans. Note that with respect to labour force coverage pension plan membership is potentially available to paid workers only; self-employed owners of unincorporated business, unpaid family workers and the unemployed are not eligible for membership.

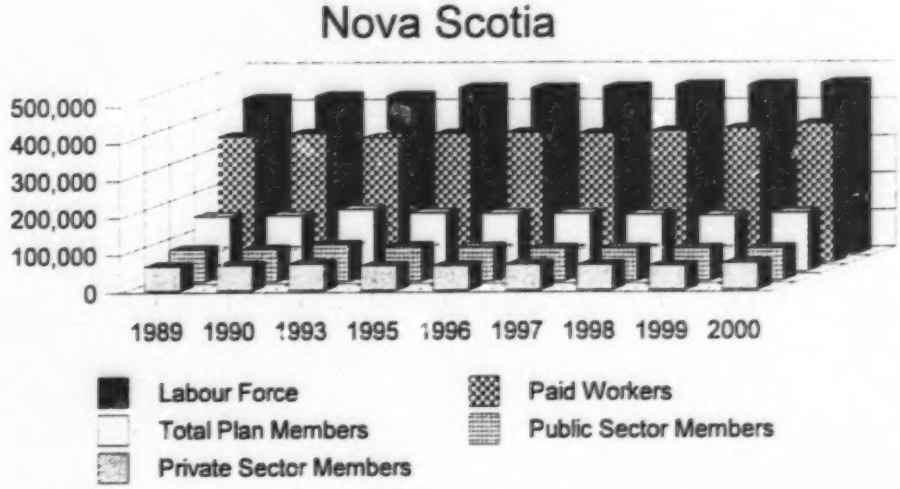



(Source: Statistics Canada)




(Excludes self-employed & unpaid family workers)

Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. Currently fifty-five per cent of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:



Federal and Provincial Government downsizing between 1994 and 1998 contributed to declining membership in public sector plans in Canada. The increase in membership between 1998 and 2000 is largely attributable to the sustained employment growth in that period.

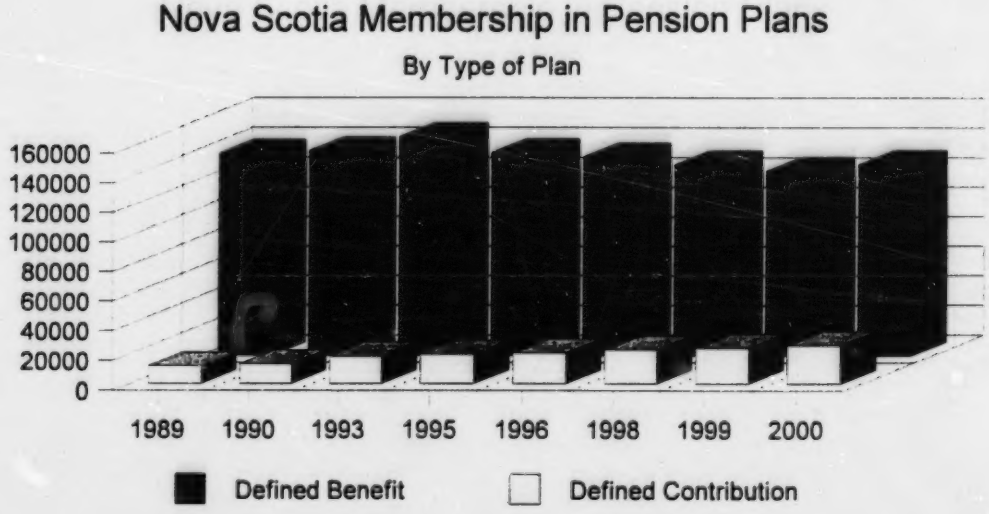
**TYPES OF PLANS**

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type.

Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

A defined benefit plan contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an actuary to estimate periodically how large the fund should be and how much should be contributed to ensure adequate funding of the benefits. To date, the most common type of plan is a defined benefit plan.

As of January 1, 2000, there were 25,733 Nova Scotia members participating in defined contribution plans, 129,474 participating in defined benefit plans and 1,664 in other composite/combination plans.



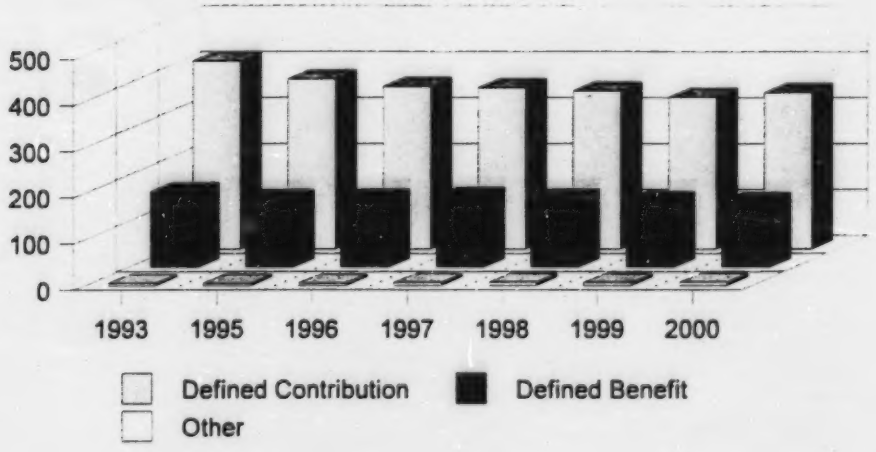

Membership in pension plans in other than defined benefit and defined contribution is insignificant and has not been included in the above chart. Participation in both types of plans increased between 1999 and 2000.

## Plans with Nova Scotia Members

The number of defined benefit pension plans with Nova Scotia members declined 21.7% from 1990 to 1999. The number of defined contribution plans with Nova Scotia members remains relatively unchanged.

The number of defined contribution pension plans registered with Nova Scotia declined between 1993 and 1999; however, there was an increase of 10 plans in 2000.

## Plans Registered in Nova Scotia



## REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2001

Fees are payable in respect of all Applications for Registration of pension plans and for each Annual Information Return filed on a plan. The Registration and Annual Information filing fee is $5.00 for each member of the pension plan in Nova Scotia or in a designated province with a minimum fee of $100.00. The maximum fee is $5,000.00. A late filing fee is charged in respect of Annual Information Returns submitted more than six months after the end of the fiscal year of the pension plan. The additional fee is 50% of the regular fee.

The fee payable for registration by a financial institution of a specimen Life Income Fund is $1,000.00.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns and Life Income Funds, amounted to $258,032.

Direct operating costs for the Division for the fiscal year 2000/01 were $176,568.